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MACROECONOMIC POLICY QUESTIONS

Report of the Second Committee

Rapporteur: Basheer F. ZOUBI (Jordan)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 22 September 1995, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fiftieth session the item entitled "Macroeconomic policy questions: (a) Financing of development; (b) Long-term trends in social and economic development; (c) External debt crisis and development", and to allocate it to the Second Committee (see A/C.2/50/1).

2. The Second Committee considered the item at its 11th to 13th, 23rd, 24th, 32nd, 41st and 43rd meetings, on 17 and 18 October, 3, 7 and 14 November and on 5 and 12 December 1995. An account of the Committee's general discussion of the item is contained in the relevant summary records (A/C.2/50/SR.11-13, 23, 24, 32, 41 and 43). Attention is also drawn to the general debate held by the Committee at its 3rd to 8th meetings, on 3 and 4 and 9 to 12 October (see A/C.2/50/SR.3-8).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Letter dated 23 February 1995 from the Chargé d'affaires a.i. of the Permanent Mission of Paraguay to the United Nations addressed to the Secretary-General transmitting the text of the Additional Protocol to the Treaty of Asunción concerning the institutional structure of the Common Market of the Southern Cone (MERCOSUR) (A/50/91);

(b) Letter dated 19 June 1995 from the Permanent Representative of Canada to the United Nations addressed to the Secretary-General transmitting the final documents of the Summit of the seven major industrialized countries, held at Halifax from 15 to 17 June 1995 (A/50/254-S/1995/501);

(c) Note verbale dated 5 September 1995 from the Chargé d'affaires a.i. of the Permanent Mission of Trinidad and Tobago to the United Nations addressed to the Secretary-General transmitting the text of the Communiqué of the Summit and of the Declaration of Principles on Tourism, Trade and Transportation and Plan of Action of the Inaugural Summit of the Association of Caribbean States, held at Port-of-Spain on 17 and 18 August 1995 (A/50/407);

(d) Letter dated 18 September 1995 from the Chargé d'affaires a.i. of the Permanent Mission of Papua New Guinea to the United Nations addressed to the Secretary-General transmitting the Communiqué of the Twenty-sixth South Pacific Forum, held at Madang, Papua New Guinea, from 3 to 15 September 1995 (A/50/475);

(e) Letter dated 2 October 1995 from the Permanent Representative of the Philippines to the United Nations addressed to the Secretary-General transmitting the Ministerial Declaration of the Group of 77 adopted on the occasion of the nineteenth annual meeting of Ministers for Foreign Affairs of the Group of 77, held at United Nations Headquarters on 29 September 1995 (A/50/518);

Financing of development

(f) Report of the Secretary-General on the sources of finance for development at mid-decade (A/50/397);

(g) Letter dated 25 October 1995 from the Permanent Representatives of Albania, Bulgaria, the former Yugoslav Republic of Macedonia and Turkey to the United Nations addressed to the Secretary-General, transmitting the declaration, signed on 22 October 1995 in New York, relating to the four countries' actions, plans and projects in the area of regional and transregional transport, power and telecommunications infrastructure (A/C.2/50/4);

Long-term trends in social and economic development

(h) Report of the Secretary-General (A/50/429);

External debt crisis and development

(i) Report of the Secretary-General on the developing country debt situation as of mid-1995 (A/50/379 and Corr.1);

(j) Letter dated 27 October 1995 from the Chargé d'affaires a.i. of the Permanent Mission of Yugoslavia to the United Nations addressed to the Secretary-General (A/50/695);

(k) Letter dated 27 October 1995 from the Chargé d'affaires a.i. of the Permanent Mission of Yugoslavia to the United Nations addressed to the Secretary-General (A/C.2/50/5).

4. At the 11th meeting, on 17 October, introductory statements were made by the Acting Director of the Macroeconomic and Social Policy Analysis Division and the Chief of the International Economic Relations Branch of the Department for Economic and Social Information and Policy Analysis (see A/C.2/50/SR.11).

II. CONSIDERATION OF PROPOSALS

A. Draft resolutions A/C.2/50/L.6 and A/C.2/50/L.56

5. At the 24th meeting, on 7 November, the representative of the Philippines, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Global financial integration: challenges and opportunities" (A/C.2/50/L.6), which read:

"The General Assembly,

"Reaffirming its resolutions S-18/3 of 1 May 1990, the annex to which contains the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and 45/199 of 21 December 1990, entitled 'International Development Strategy for the Fourth United Nations Development Decade', the annex to which contains the International Development Strategy for the Fourth United Nations Development Decade,

"Stressing its resolution 49/93 of 19 December 1994 on net flows and transfer of resources between developing and developed countries,

"Recognizing that the international community has a responsibility to give strong support to the efforts of the developing countries to solve their grave economic and social problems through the creation of a favourable international economic environment,

"Noting that the process of economic growth, in a few developing countries, has been positively affected by the recent increase in international private capital flows,

"Stressing that the majority of developing countries, in particular the least developed countries, especially in Africa, have not benefited from those capital flows despite their efforts to create a more favourable national framework,

"Expressing concern, within such a context, at the persistent decline in the levels of official development assistance to developing countries,

"Expressing concern also that a significant number of developing countries have become more vulnerable to the volatile fluctuations of private capital flows in international financial markets,

"Noting the necessity of creating favourable conditions for ensuring international stability in private capital flows in the medium and long terms, in particular for the development of developing countries,

"Aware of the role of the International Monetary Fund in the promotion of a stable international financial environment conducive to economic growth and taking into account the need to preserve and enhance the relationship and agreements between the United Nations and the Fund,

"1. Stresses that global financial integration presents new challenges and opportunities for the international community and that it should be placed at the forefront of the dialogue between the United Nations system and the Bretton Woods institutions;

"2. Underscores the need for encouragement of private flows to developing countries while reducing the systemic risk of volatility, particularly in portfolio flows;

"3. Emphasizes the need to broaden appropriate cooperation among monetary and financial authorities and institutions, so as to encourage the establishment of preventive consultations between such institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly in developing countries;

"4. Also emphasizes the importance of enlarging the scope of the coordination of macroeconomic policies within the United Nations system, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system;

"5. Reiterates the need for actions aimed at broadening and strengthening the participation of developing countries in the international economic decision-making process;

"6. Recognizes the need for a stronger and central role for the International Monetary Fund in surveillance, in particular of industrialized countries, with a view to enhancing transparency and predictability in international financial markets and promoting economic growth;

"7. Reaffirms the objective of promoting greater transparency, openness and enhanced participation by developing countries in the work of the International Monetary Fund, and, within this context and to this end, recognizes the important contribution that the United Nations can provide;

"8. Requests the Secretary-General to report to the General Assembly, at its fifty-first session, through the Economic and Social Council, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, on the question of the globalization of private capital flows including its effects on developing countries, on necessary measures and suggestions for promoting a stable financial environment conducive to sustained economic growth, and on the implementation of the present resolution."

6. At the 41st meeting, on 5 December, the Vice-Chairman of the Committee, Mr. Max Stadthagen (Nicaragua), introduced a draft resolution entitled "Global financial integration: challenges and opportunities" (A/C.2/50/L.56), which was submitted on the basis of informal consultations held on draft resolution A/C.2/50/L.6, and orally revised it as follows:

(a) In the seventh preambular paragraph, the words "in the last years" were replaced by the words "in real terms in the past three years";

(b) In operative paragraph 6, the word "presupposing" was deleted.

7. At the same meeting, the Committee adopted draft resolution A/C.2/50/L.56, as orally revised (see para. 20, draft resolution I).

8. In view of the adoption of draft resolution A/C.2/50/L.56, draft resolution A/C.2/50/L.6 was withdrawn by its sponsors.

B. Draft resolutions A/C.2/50/L.7 and A/C.2/50/L.75

9. At the 23rd meeting, on 3 November, the representative of the Philippines introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/50/L.7), which had been submitted by the Philippines, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, and Colombia, on behalf of the States Members of the United Nations that are members of the Movement of Non-Aligned Countries. Subsequently, Kyrgyzstan joined in sponsoring the draft resolution, which read:

"The General Assembly,

"Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990, 46/148 and 46/151 of 18 December 1991 and 47/198 of 22 December 1992, and reaffirming its resolutions 48/182 of 21 December 1993 and 49/94 of 19 December 1994,

"Reaffirming its resolution 48/165 of 21 December 1993 on the renewal of the dialogue on strengthening international economic cooperation for development through partnership and 48/166 of 21 December 1993 on an agenda for development,

"Reaffirming also the urgent need for a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries,

"Stressing the urgent need for further improving the debt situation of developing countries in view of the continued unsustainable level of the total debt stock and debt-servicing burden,

"Noting the urgent need for further enhancing the implementation of various debt-relief measures undertaken by creditor countries both within

the framework of the Paris Club and through their cancellations and equivalent relief of bilateral official debt,

"Noting also that, owing to uneven developments within the context of the evolving international debt strategy, further progress, including new and concrete measures and innovative approaches, is required to contribute to a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries,

"Noting with concern the continuing debt and debt-service burden associated with various types of debt: commercial, bilateral and multilateral,

"Noting also with concern the urgent need to fully address the problem of the combined external debt stock of developing countries, bearing in mind the special and critical situation of the most indebted developing countries in Africa and the least developed countries,

"Emphasizing the need for the consideration of new and innovative forms of relief from debt-servicing obligations arising out of multilateral lending operations which has so far been excluded from explicit debt restructuring,

"Expressing its concern that, despite the determined efforts undertaken by developing countries in terms of implementing continuous economic reforms and structural adjustments, the burden of debt and debt service of these countries continues to be a major obstacle to their sustained economic growth and sustainable development,

"Expressing also its concern that serious external and domestic financial constraints have been experienced by developing countries that have continued to meet their international debt and debt-service obligations in a timely fashion,

"Expressing further its concern that debt-relief measures taken so far have not yet fully provided a comprehensive, effective, equitable and durable solution to the outstanding debt and debt-servicing burden of developing countries, in particular the least developed countries,

"Welcoming the results of all major United Nations conferences and summits held since the beginning of the 1990s related to development, which recognize the need for a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries and for substantial debt reduction, as well as the mobilization of substantial and additional resources for development, to enable developing countries to achieve sustained economic growth and sustainable development,

"Taking note of the results of the Eleventh Conference of Heads of State or Government of the Non-Aligned Countries, held at Cartagena de Indias, Colombia, from 18 to 20 October 1995, in particular, chapter III, entitled "Economic issues", of the Final Document of the Conference,

"Stressing the need for a favourable and supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, in order to enable the developing countries to achieve sustained economic growth and sustainable development and for the international community to provide a durable solution to the external debt problem of developing countries,

"Stressing also the need for the adoption of a common set of principles which must include a once-and-for-all arrangement in order to ensure a substantial reduction of all types of external debt of all debtor developing countries and meet the debt-servicing capacities of the developing countries,

"Taking note of the statement of the Managing Director of the International Monetary Fund, made during its annual meeting of 1995, that the Fund will continue to answer the calls from countries in crisis in a timely manner,

"1. Takes note of the report of the Secretary-General on the developing country debt situation as of mid-1995; 1/

"2. Recognizes that a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries will have a substantial impact on sustaining the strength of the global economy and will greatly contribute to efforts of developing countries to achieve sustained economic growth and sustainable development;

"3. Also recognizes that a once-and-for-all approach to the external debt problem of developing countries will enable the international community to achieve a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries;

"4. Further recognizes that the once-and-for-all approach to the external debt problem of developing countries requires an integrated and coordinated strategy to deal with all types of debts in all debtor countries, the growing total debt stock of developing countries, the further reduction of the debt-service burden, the further flexibility of rescheduled debts, the expansion of existing conversion programmes, and the creation of new, additional and innovative other conversion programmes, and needs to be supported by new financial flows, expansion of finances of multilateral financial institutions, and expansion of International Development Association facilities;

"5. Stresses the urgent need for further enhancing the terms agreed upon in the Paris Club, including cancellation or other debt-relief measures, through further liberalization of the eligibility criteria, so that more debt-distressed countries can avail themselves of favourable treatment as regards debt consolidation;

1/ A/50/379.

"6. Also stresses the urgent need for creditor countries, private banks and lending institutions to expand their efforts to address the commercial debt of debt-distressed developing countries, and to extend appropriate new financial support, as well as provide additional and innovative measures, to enable these countries to achieve sustained economic growth and development;

"7. Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to consider continuing the initiatives and efforts to address the commercial debt problems of the least developed countries and requests for mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help eligible least developed countries reduce their commercial debt and to also consider alternative mechanisms to complement that Facility;

"8. Stresses the need for innovative approaches, including formal debt cancellation, to address the multilateral debts of debt-distressed developing countries with a high proportion of multilateral debt, particularly the low-income countries;

"9. Also stresses the need to expand the existing modalities for debt cancellation and the agreed terms of debt relief to support adequately the consolidation of various external debts through, inter alia, debt rescheduling arrangements of debt-distressed developing countries, particularly the severely indebted low- and middle-income countries;

"10. Further stresses the need for further mechanisms that will enable the review of rescheduled debts and debt services with a view to providing additional flexibility to debt-distressed developing countries, particularly the low-income countries, in their efforts to exit from the continuing heavy burden of external debt and debt service and thus ensure their ability to reverse the deteriorating economic and social conditions in these countries;

"11. Further stresses the need for existing facilities to provide debt-relief measures through various debt conversion programmes, such as debt-equity swaps, debt-for-nature-swaps, debt-for-child-development swaps, and other debt-for-development swaps, to be broadly implemented and expanded to include more debt-distressed developing countries and involve substantial amounts of debts so that these countries may be ably assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of their societies;

"12. Further stresses the need to explore additional and innovative approaches, including those relating to other social development programmes and projects in conformity with the objectives of the World Summit for Social Development, held in Copenhagen, so as to alleviate substantially the debt burden of developing countries, in particular the low-income countries and the least developed countries;

"13. Further stresses the need for new financial flows to debtor developing countries, and urges the creditors and multilateral financial institutions to continue to extend and expand concessional financial assistance, particularly to the least developed countries, in order to enable them to extricate themselves from the debt overhang and to assist them in achieving sustained economic growth and sustainable development, and in this regard the Paris Club creditors are invited to continue to implement expeditiously and flexibly the concessional treatment offered under the Naples terms;

"14. Encourages the Bretton Woods institutions to expedite the ongoing consideration of ways to address the issue of the multilateral debt of developing countries, particularly the least developed countries, taking into account, inter alia, the discussions of the meetings of the International Monetary Fund/World Bank Development Committee held on 9 October 1995, and requests the Secretary-General to report to the General Assembly at its fifty-first session on the outcome of the meeting of the Development Committee scheduled for April 1996;

"15. Recognizes the need for multilateral financial institutions and development banks to maintain sufficient and sound credit standing, and, in this regard, also recognizes that efforts should be exerted to ensure the implementation of the proposed expansion of the resources at the disposal of the general arrangements to borrow at the International Monetary Fund, as well as Fund quota increases, development banks capital increases and concessional funds replenishment, and calls upon these institutions to adopt flexible terms for the repayment of developing countries' debts;

"16. Also recognizes that the once-and-for-all approach to a durable solution of the external debt of developing countries must be accompanied by a favourable and supportive international environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and net food importing countries, 2/ as well as other supportive measures to ensure a definitive resolution of the debt crisis;

"17. Calls upon the Managing Director of the International Monetary Fund to devise concrete policy measures and actions to address properly, and in a timely manner, the problems faced by debt-distressed developing countries;

"18. Stresses that, besides the issue of the external debt of developing countries, the question of globalized financial flows should be placed at the forefront of the dialogue between the United Nations system and the Bretton Woods institutions;

2/ See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994-7).

"19. Underscores the need to encourage private flows to developing countries while reducing the systemic risk of volatility, particularly in portfolio flows;

"20. Urges the developed countries to lower their long-term interest rates, phase out subsidies for their uncompetitive industries, particularly in agriculture, and dismantle protectionist barriers targeted at developing countries;

"21. Stresses the urgent need to continue to provide and expand social safety nets on behalf of the disadvantaged and vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups;

"22. Urges the international community, particularly the creditor countries and multilateral institutions, as well as commercial banks and other lending institutions, when continuing the implementation of various measures aimed at contributing to the durable solution to the external debt problem of developing countries, as well as when exploring ways of implementing additional and innovative measures to alleviate substantially the external debt and debt-service burden of developing countries, to ensure that the debt strategy evolved through the years and as embodied in various General Assembly resolutions, including the present resolution, is fully implemented and taken into account;

"23. Recognizes the urgent need for the international community, so as to assist developing countries, in particular the developing countries, to mobilize the resources needed for their development efforts, and also recognizes that a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries could contribute towards releasing domestic resources and towards sustaining their development efforts, in particular those for social development;

"24. Calls upon the international community, including the relevant institutions, to build upon the momentum gained from the various meetings that have addressed debt issues and to address the external debt problem of developing countries, particularly that of the least developed countries, in the elaboration of an agenda for development in order to further promote a comprehensive, effective, equitable and durable solution to the external debt problem of the developing countries;

"25. Also calls upon the international community including the United Nations system, and the Bretton Woods institutions, as well as the private sector to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s in order to cancel or to reduce substantially the debt and the debt-service burden of developing countries, particularly the countries in Africa and the least developed countries;

"26. Requests the Secretary-General to report to the General Assembly at its fifty-first session on the implementation of the present resolution."

10. At the 43rd meeting, on 12 December, the Vice-Chairman of the Committee, Mr. Max Stadthagen (Nicaragua), introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/50/L.75), which was submitted on the basis of informal consultations held on draft resolution A/C.2/50/L.7.

11. At the same meeting, the Committee adopted draft resolution A/C.2/50/L.75 (see para. 20, draft resolution II).

12. After the adoption of the draft resolution, statements were made by the representatives of the United States of America and the Philippines, on behalf of the States Members of the United Nations that are members of the Group of 77 and China (see A/C.2/50/SR.43).

13. In view of the adoption of draft resolution A/C.2/50/L.75, draft resolution A/C.2/50/L.7 was withdrawn by its sponsors.

C. Draft resolutions A/C.2/50/L.15 and A/C.2/50/L.74

14. At the 32nd meeting, on 14 November, the representative of the Philippines, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Sources of the financing of development" (A/C.2/50/L.15). Subsequently, Kyrgyzstan joined in sponsoring the draft resolution, which read:

"The General Assembly,

"Reaffirming the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to its resolution S-18/3 of 1 May 1990, and the International Development Strategy for the Fourth United Nations Development Decade, contained in the annex to its resolution 45/199 of 21 December 1990,

"Recalling its resolution 45/234 of 21 December 1990, on the implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries and other resolutions in the field of international economic cooperation,

"Recalling also its resolution 48/187 of 21 December 1993, particularly as it relates to the decision to continue to explore the issue of the financing of development and its potential funding sources,

"Affirming that official development assistance remains crucial and a major source of external financing for many developing countries and thus

is an integral part of international cooperation on concrete issues in the economic, environmental and social fields to support plans and priorities of developing countries in achieving sustained economic growth and sustainable development,

"Recalling the commitments made by the developed countries in various international conferences and summits held during the 1990s to provide adequate, predictable, new and additional financial resources for the sustained economic growth and sustainable development of developing countries,

"Noting that the peace dividend has not materialized in the form of additional financial flows to developing countries, and expressing the need for the reallocation by developed countries of resources freed from military purposes arising from the end of the Cold War towards productive development purposes in support of existing international commitments for development,

"Noting also the report of the Secretary General on the financing of development, 3/

"1. Affirms the urgent need to reverse the persistent decline in overall flow of official development assistance and to provide new and additional resources for financing the development of developing countries, including poverty eradication, so as to achieve a higher quality of life for all;

"2. Calls upon the developed countries to fulfil fully by the year 2000 the internationally agreed target of 0.7 per cent of gross national product for official development assistance and the target of 0.15 per cent of the donor countries' gross national product in favour of the least developed countries;

"3. Stresses the need for the international community, particularly the developed countries, to fulfil the commitments contained in the financial recommendations of Agenda 21 4/ in providing adequate, predictable, new and additional financial resources, so that the efforts of developing countries are not severely constrained in implementing the recommendations of Agenda 21 and in order not to undermine the basis of the global partnership for sustainable development;

"4. Stresses also that the international community, in particular the developed countries, must honour the financial commitments undertaken

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3/ A/50/397.

4/ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (A/CONF.151/26/Rev.1 (vol. I and vol. I/Corr.1, vol. II, vol. III and vol. III/Corr.1)) (United Nations publication, Sales No. E.93.I.8 and corrigenda), vol. I: Resolutions adopted by the Conference, resolution 1, annex II.

in the context of the International Conference on Population and Development and other international conferences in the recent past in order to strengthen the basis for a global partnership for sustainable development;

"5. Calls for complete fulfilment of the commitments under the International Development Association's tenth replenishment and to accelerate the negotiations for its eleventh replenishment at a significantly higher level in real terms in view of the growing development needs of developing countries, including those arising from commitments made by the international community at the World Summit for Social Development in Copenhagen to eradicate poverty as an ethical, political, economic and social imperative;

"6. Calls also for a substantial augmentation of the resources of the International Monetary Fund so as to enable it to fulfil its functions better in the face of new challenges in a world of growing globalization and interdependence and to enable the Enhanced Structural Adjustment Facility to become a permanent window;

"7. Stresses the necessity for the international community, especially the developed countries, to create a favourable international environment to reduce volatility in private capital flows to developing countries and to enhance their growth-promoting role through, inter alia, the expansion of productive capacities in developing countries, to support their efforts to achieve sustained economic growth and sustainable development;

"8. Calls for the replenishment of and a substantial increment in the resources of regional development banks in order to enhance their role in the promotion of the economic and social development of their respective regions;

"9. Stresses further the need to improve market access and terms of trade of developing countries so as to enable them to realize additional resources and support their efforts in achieving sustained economic growth and sustainable development;

"10. Urges the developed countries to provide adequate support for expanding the resource base for operational activities of the United Nations system so as to ensure that the United Nations becomes a credible and effective partner in development whose activities are clearly oriented towards development and so as to provide an effective development perspective to other areas of United Nations activity;

"11. Invites the developed countries to examine the possibility of utilizing resources released as a result of the end of the cold war and the decline of military expenditures in support of the efforts of developing countries to achieve sustained economic growth and sustainable development;

"12. Further invites the developed countries to explore the possibilities of reallocating resources from their subsidies, particularly

those to agricultural production, to augment the sources of financing the development of developing countries and to support international commitments for development;

"13. Underscores the need to explore other additional and innovative sources of the financing of development of developing countries, with a view to identifying support measures for the enormous requirements of developing countries for the financing of development;

"14. Decides to convene in 1998 an international conference on the financing of development, at the highest possible level of participation, to take stock of the implementation of internationally agreed commitments and recommendations relating to the financing of development and of follow-ups to various international conferences and summits held since 1990, which, among other things, called for adequate, predictable, new and additional financial resources, so that developing countries might be provided with adequate support to achieve sustained economic growth and sustainable development;

"15. Requests the Secretary-General to report to the General Assembly at its fifty-second session on the implementation of the present resolution and the preparations required for the convening of an international conference on the financing of development."

15. At the 43rd meeting, on 12 December, the Vice-Chairman of the Committee, Mr. Max Stadthagen (Nicaragua), introduced a draft resolution entitled "Sources for the financing of development" (A/C.2/50/L.74), which was submitted on the basis of informal consultations held on draft resolution A/C.2/50/L.15.

16. Before the adoption of the draft resolution, the representative of the Philippines made a statement on behalf of the States Members of the United Nations that are members of the Group of 77 and China (see A/C.2/50/SR.43).

17. At the same meeting, the Committee adopted draft resolution A/C.2/50/L.74 (see para. 20, draft resolution III).

18. In view of the adoption of draft resolution A/C.2/50/L.74, draft resolution A/C.2/50/L.15 was withdrawn by its sponsors.

D. Documents relating to macroeconomic policy questions

19. At its 43rd meeting, on 12 December, upon the proposal of the Chairman, the Committee decided to recommend to the General Assembly that it take note of the documents relating to macroeconomic policy questions (see para. 21).

III. RECOMMENDATION OF THE SECOND COMMITTEE

A. Draft resolutions

20. The Second Committee recommends to the General Assembly the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Global financial integration: challenges and opportunities

The General Assembly,

Reaffirming its resolutions S-18/3 of 1 May 1990, the annex to which contains the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and 45/199 of 21 December 1990, entitled "International Development Strategy for the Fourth United Nations Development Decade", the annex to which contains the International Development Strategy for the Fourth United Nations Development Decade, and the Cartagena Commitment, 5/ adopted by the United Nations Conference on Trade and Development at its eighth session,

Recalling its resolution 49/93 of 19 December 1994 on net flows and transfer of resources between developing and developed countries,

Stressing the importance at the national level in the countries concerned of a favourable climate for private financial flows, sound macroeconomic policies and appropriate functioning of markets,

Recognizing that the international community should continue to give strong support to the efforts of the developing countries to solve their grave economic and social problems as well as to promote a favourable climate for private financial flows through the creation of a favourable international economic environment,

Noting with satisfaction that the process of economic growth, in a number of developing countries, has been positively affected by the recent increase in international private capital flows,

Commending continuing efforts made by developing countries to create a more favourable national framework and stressing that a considerable number of developing countries, in particular the least developed countries, especially in Africa, have not benefited from the aforementioned capital flows,

Expressing concern, within such a context, at the decline in real terms in the past three years in the overall level of official development assistance to developing countries,

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5/ See Proceedings of the United Nations Conference on Trade and Development, Eighth Session, Report and Annexes (TD/364/Rev.1) (United Nations publication, Sales No. E.93.II.D.5), part one, sect. A.

Expressing concern also that a significant number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets,

Noting the necessity of promoting the creation of favourable conditions for achieving international stability in private capital flows and of preventing the destabilization arising from swift movements of private capital flows, in order, inter alia, to enhance development, in particular of developing countries,

Aware of the role of the International Monetary Fund in the promotion of a stable international financial environment conducive to economic growth, and taking into account the strengthening of the cooperative relationship between the United Nations and the Fund,

1. Stresses that global financial integration presents new challenges and opportunities for the international community and that it should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions;

2. Underscores the need for encouragement of private flows to all countries, in particular to developing countries, especially long-term flows, while reducing the risks of volatility;

3. Recognizes that, in a globalized world, sound fiscal and monetary policy in each country is among the elements essential in preventing crises relating to capital flows;

4. Emphasizes the need to explore ways to broaden appropriate enhanced cooperation and, where appropriate, coordination of macroeconomic policy among interested countries, monetary and financial authorities and institutions, so as to enhance preventive consultation arrangements between such institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly in developing countries, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system;

5. Reiterates the need for broadening and strengthening the participation of developing countries in the international economic decision-making process;

6. Welcomes the steps taken by the International Monetary Fund and recognizes the need for a stronger and central role for the Fund in surveillance of all countries, in a symmetrical manner, in accordance with paragraph 4 of the communiqué of the Interim Committee of the Board of Governors of the Fund, dated 26 April 1995, with regard to potential sources of destabilization of capital markets with a view to promoting transparency and stability in international financial markets and promoting economic growth, such surveillance including, among other elements, the regular and timely provision of economic and financial data;

7. Reaffirms the objective of promoting greater transparency and openness, including increasing participation of developing countries in the work

of the International Monetary Fund. This objective also involves, among other elements, the regular and timely provision of economic and financial data by all Fund members;

8. Requests the Secretary-General to report to the General Assembly, at its fifty-first session, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, on the implementation of the present resolution.

DRAFT RESOLUTION II

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990, 46/148 and 46/151 of 18 December 1991 and 47/198 of 22 December 1992, and reaffirming its resolutions 48/182 of 21 December 1993 and 49/94 of 19 December 1994,

Reaffirming its resolution 48/165 of 21 December 1993 on the renewal of the dialogue on strengthening international economic cooperation for development through partnership and 48/166 of 21 December 1993 on an agenda for development,

Noting the improvement in the debt situation of a number of developing countries since the second half of the 1980s and the contribution that the evolving debt strategy has made to this improvement,

Noting with appreciation the debt-relief measures undertaken by creditor countries both within the framework of the Paris Club and through their cancellation and equivalent relief of bilateral official debt, and welcoming the even more favourable terms of the debt-relief measures recently envisaged by the Paris Club, namely the Naples terms of December 1994, for the poorest and heavily indebted countries, to help them exit from the rescheduling process, thus contributing to the prospects of those countries for resuming growth and development,

Reaffirming the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and to help them exit from the rescheduling process,

Emphasizing the importance for debtor countries of continuing to pursue and intensify their efforts with respect to economic reforms, stabilization and structural adjustment programmes, in order to raise savings and investments, reduce inflation and improve economic efficiency, taking into account the need to address the social aspects of development, including the eradication of poverty, and their individual characteristics, as well as the vulnerability of the poorer strata of their populations,

Stressing the urgent need for further assisting developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

Noting the urgent need for full, constructive and expeditious implementation of various debt-relief measures undertaken by creditor countries both within the framework of the Paris Club and through their cancellations and equivalent relief of bilateral official debt,

Noting also that, owing to uneven developments within the context of the evolving international debt strategy, further progress, including new and concrete measures and innovative approaches, is essential as regards contributing to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with various types of debt of many developing countries, on the basis of an effective, equitable, development-oriented and durable approach and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting that multilateral lending operations are excluded from debt restructuring and, in this regard, emphasizing the need for the consideration of comprehensive approaches to assist low-income countries with substantial multilateral debt problems through the flexible implementation of existing instruments and new mechanisms where necessary,

Expressing its concern that, in a number of developing countries that are making continuous and strenuous economic reform efforts, the burden of debt and debt service continues to constitute a major obstacle to the revitalization of the economic growth and development of those countries, in particular the least developed among them,

Noting that those developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

Expressing its concern that debt-relief measures taken so far have not yet fully provided effective, equitable, development-oriented and durable solutions to the outstanding debt and debt-servicing problems of a large number of developing countries, in particular the poorest and heavily indebted countries,

Reaffirming the results, as agreed, of all major United Nations conferences and summits held since the beginning of the 1990s on development, relating to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, as well as the

consideration of appropriate measures relating to the mobilization of substantial, new and additional resources to enable developing countries to achieve sustained economic growth and sustainable development,

Noting, while addressing the external debt and debt-servicing problems of developing countries, the situation in some creditor countries with economies in transition,

Stressing the need for continuing global economic growth and the necessity for a continuing supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for sustained economic growth and sustainable development of the developing countries,

Taking note of the results of the Eleventh Conference of Heads of State or Government of the Non-Aligned Countries, held at Cartagena de Indias, Colombia, from 18 to 20 October 1995, in particular, chapter III, entitled "Economic issues", of the Final Document of the Conference,

Taking note also of the communiqué of the Summit of the seven major industrialized countries, 6/ held at Halifax, Canada, from 15 to 17 June 1995,

Taking note further of the communiqué of the Interim Committee of the Board of Governors of the International Monetary Fund, held at Washington, D.C., on 8 October 1995,

Taking note further of the Ministerial Declaration of the Group of 77 7/ adopted at the nineteenth annual meeting of Ministers for Foreign Affairs of the Group of 77 and China, held in New York on 29 September 1995,

1. Takes note of the report of the Secretary-General on the developing country debt situation as of mid-1995; 8/

2. Recognizes that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

3. Also recognizes that the evolving international debt strategy has to be supplemented by appropriate external financial flows to indebted developing countries;

6/ A/50/254-S/1995/501, annex I.

7/ A/50/518, annex.

8/ A/50/379 and Corr.1.

4. Emphasizes the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development, and stresses the need for the international community to promote a conducive external economic environment through, inter alia, improved market access, stabilization of exchange rates, effective stewardship of international interest rates and increased resource flows, as well as improved access to technology for the developing countries;

5. Stresses the need for finding effective, equitable, development-oriented and durable solutions to the continuing debt and debt-servicing problems of the poorest and most indebted developing countries and the importance of a full, constructive and expeditious implementation of the Naples terms, agreed upon in the Paris Club in December 1994, for such countries, with a view to helping them exit from the rescheduling process on the basis of sound economic policies in those countries, thus contributing to the promotion of their prospects for resuming growth and development;

6. Recognizes the efforts of indebted developing countries in fulfilling their commitments on debt servicing despite the incurring of a high social cost and, in this regard, encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries;

7. Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to consider continuing the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help eligible least developed countries reduce their commercial debt;

8. Notes the high proportion of multilateral debt of a number of developing countries and invites international financial institutions to examine proposals to tackle the problems of those countries with regard to multilateral debt, taking into account the specific situation of each country, while preserving the preferred creditor status of the multilateral financial institutions, in order to ensure that they can continue to provide concessional financing to those developing countries to assist their development;

9. Reaffirms the mid-term global review of the implementation of the Programme of Action for the Least Developed Countries for the 1990s, in particular the appropriate actions in favour of least developed countries concerning their official bilateral, commercial and multilateral debt;

10. Notes with concern the continuing burden of debt and debt-service obligations of middle-income countries, including in particular those in Africa, and encourages creditors, including multilateral financial institutions and commercial banks, to continue to address their obligations effectively;

11. Stresses the importance of continued concessional Enhanced Structural Adjustment Facility lending operations for low-income countries;

12. Also stresses the need for existing facilities to provide debt-relief measures through various debt conversion programmes, where possible, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps, and other debt-for-development swaps, to be widely implemented so that the countries concerned may be ably assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held at Copenhagen in March 1995;

13. Further stresses the need for, in addition to debt-relief measures that include debt and debt-service reduction, new financial flows to debtor developing countries, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms, stabilization and structural adjustment programmes and the eradication of poverty by the developing countries so as to enable them to extricate themselves from the debt overhang and to assist them in achieving sustained economic growth and sustainable development;

14. Further stresses the need for the expeditious conclusion of the ongoing work of the International Monetary Fund, in close collaboration with the World Bank, on the steps to address the problems of those low-income countries that are undertaking strong adjustment and reform programmes but whose debt situation, including debt to multilateral institutions, may prove unsustainable, even after debt reduction on the Naples terms, within this context urging donor countries to fulfil promptly their commitments to the tenth replenishment of the International Development Association and to support a significant replenishment through the eleventh replenishment of the Association, and requests the Secretary-General to report to the General Assembly at its fifty-first session on the outcome of the meeting of the Development Committee scheduled for April 1996;

15. Notes the initiative to develop new, parallel financing arrangements, complementary to the General Arrangements to Borrow, with the aim of doubling the resources currently available under the General Arrangements to Borrow;

16. Recognizes that the evolving debt strategy must be accompanied by a favourable and supportive international environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and net food importing developing countries; 9/

17. Invites the International Monetary Fund to continue devising concrete policy measures and actions to address the problems faced by indebted developing countries;

9/ See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994-7).

18. Underscores the need for encouragement of private flows to all countries, in particular developing countries, while reducing the risks of volatility;

19. Stresses the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups;

20. Urges the international community, particularly the creditor countries and multilateral institutions, as well as commercial banks and other lending institutions, when continuing the implementation of various measures aimed at contributing to the effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, as well as when exploring the need for additional and innovative measures to alleviate substantially the external debt and debt-service burden of developing countries, to ensure that the debt strategy evolved through the years is fully implemented and taken into account;

21. Recognizes the urgent need for the international community to assist developing countries, in particular the poorest and heavily indebted countries, in mobilizing the resources needed for their development efforts, and also recognizes that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries could contribute towards releasing domestic resources and sustaining their development efforts, in particular those for social development;

22. Calls upon the international community, including the relevant institutions, to build upon the momentum gained from the various meetings that have addressed debt issues and to address the external debt and debt-servicing problems of developing countries, particularly those of the least developed countries, in the elaboration of an agenda for development;

23. Also calls upon the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development, addressing, inter alia, and where appropriate, the question of external debt;

24. Requests the Secretary-General to report to the General Assembly at its fifty-first session on the implementation of the present resolution.

DRAFT RESOLUTION III

Sources for the financing of development

The General Assembly,

Reaffirming the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to its resolution S-18/3 of 1 May 1990, and the International Development Strategy for the Fourth United Nations Development Decade, contained in the annex to its resolution 45/199 of 21 December 1990,

Recalling its resolution 45/234 of 21 December 1990 on the implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries,

Recalling also its resolution 48/187 of 21 December 1993, particularly as it relates to the decision to continue to explore the issue of the financing of development and its potential funding sources,

Decides to consider at the fifty-second session of the General Assembly the convening of an international conference on the financing of development, and requests the Secretary-General to submit to the General Assembly at its fifty-second session a report on substantive areas, including the consideration of aspects of interrelatedness and coordination necessary as a basis for the full consideration of the issue of financing of development and its potential funding sources.

B. Draft decision

21. The Second Committee also recommends to the General Assembly the adoption of the following draft decision:

Documents relating to macroeconomic policy questions

The General Assembly decides to take note of the following documents:

(a) Report of the Secretary-General on the sources of finance for development at mid-decade; 10/

(b) Report of the Secretary-General on long-term trends in social and economic development. 11/

10/ A/50/397.

11/ A/50/429.